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LOK SABHA

The following Bill was introduced in the Lok Sabha on 28th February, 1955 :—

BILL No. 5 of 1955

A Bill to give effect to the financial proposals of the Central Government for the financial year 1955-56.

BE it enacted by Parliament in the Sixth Year of the Republic of India as follows:—

1. Short title.—This Act may be called the Finance Act, 1955.

2. Income-tax and Super-tax.—(1) Subject to the provisions of sub-sections (2), (3), (4) and (5), for the year beginning on the 1st day of April, 1955,—

(a) income-tax shall be charged at the rates specified in Part I of the First Schedule, increased in each case by a surcharge for purposes of the Union at the rate specified therein in respect of each such rate of income-tax, and

(b) rates of super-tax shall, for the purposes of section 55 of the Indian Income-tax Act, 1922 (XI of 1922) (hereinafter referred to as the Income-tax Act), be those specified in Part II of the First Schedule, increased in the cases to which Paragraphs A, B and C of that Part apply, by a surcharge for purposes of the Union at the rate specified therein in respect of each such rate of super-tax.

(2) In making any assessment for the year ending on the 31st day of March, 1956, there shall be deducted from the total income of an assessee,—

(i) in respect of the earned income, if any, chargeable under the head “salaries” which is included in his total income, an amount equal to one-fifth of such earned income, *plus*

*The President has, in pursuance of clauses (1) and (3) of article 117 and clause (1) of article 274 of the Constitution of India, recommended to the Lok Sabha, the introduction and consideration of the Bill.

(ii) in respect of the earned income, if any, other than the income chargeable under the head "salaries" which is included in his total income,—

(a) where such earned income does not exceed twenty five thousand rupees, an amount equal to one-fifth of such earned income;

(b) where such earned income exceeds twenty five thousand rupees, the amount, if any, arrived at after deducting from four thousand rupees one-fifth of such excess:

Provided that the aggregate amount to be deducted under this sub-section shall not in any case exceed four thousand rupees.

(3) In making any assessment for the year ending on the 31st day of March, 1956,—

(a) where the total income of an assessee, not being a company, includes any income chargeable under the head "salaries" as reduced by the deduction for earned income appropriate thereto, or any income chargeable under the head "Interest on securities", or any income from dividends in respect of which by virtue of section 49B of the Income-tax Act he is deemed himself to have paid the income-tax imposed under that Act, the income-tax payable by the assessee on that part of his total income which consists of such inclusions shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation of the Finance Act, 1954 (17 of 1954) on his total income the same proportion as the amount of such inclusions bears to his total income;

(b) where the total income of an assessee, not being a company, includes any income chargeable under the head "salaries" on which super-tax has been or might have been deducted under the provisions of sub-section (2) of section 18 of the Income-tax Act, the super-tax payable by the assessee on that portion of his total income which consists of such inclusion shall be an amount bearing to the total amount of super-tax payable according to the rates applicable under the operation of the Finance Act, 1954 (17 of 1954), on his total income the same proportion as the amount of such inclusion bears to his total income.

(4) In making any assessment for the year ending on the 31st day of March, 1956,—

(a) where the total income of a company includes any profits and gains from life insurance business, the super-tax otherwise payable by the company on the whole of such total income shall be reduced by an amount which bears to that super-tax the same proportion as the amount of such inclusion bears to its total income or by an amount computed at the rate of—

(i) two annas in the rupee in the case of a mutual insurance company as defined in section 95 of the Insurance Act, 1938 (IV of 1938), and

(ii) one-and-a-half annas in the rupee in the case of any other company,

on the amount of such inclusion, whichever is less;

(b) where the total income of an assessee, not being a company, includes any profits and gains from life insurance business,

the income-tax and super-tax payable by the assessee on that part of his total income which consists of such inclusion shall be an amount bearing to the total amount of such taxes payable on his total income according to the rates applicable under the operation of the Indian Finance Act, 1942 (XII of 1942), increased in respect of each such rate by one-twentieth thereof, the same proportion as the amount of such inclusion bears to his total income, so however that the aggregate of the taxes so computed in respect of such inclusion shall not in any case exceed the amount of tax payable on such inclusion at the rate of five annas in the rupee.

(5) In cases to which section 17 of the Income-tax Act applies, the tax chargeable shall be determined as provided in that section, but with reference to the rates imposed by sub-section (1), and in accordance, where applicable, with the provisions of sub-sections (2), (3) and (4) of this section.

(6) For the purposes of making any deduction of income-tax in the year beginning on the 1st day of April, 1955, under sub-section (2) or sub-section (2B) of section 18 of the Income-tax Act, from any earned income chargeable under the head "salaries", the estimated total income of the assessee under that head shall, in computing the income-tax to be deducted, be reduced—

(i) where such earned income does not exceed twenty-five thousand rupees, by an amount equal to one-fifth of such earned income but not exceeding in any case four thousand rupees;

(ii) where such earned income exceeds twenty-five thousand rupees, by the amount, if any, arrived at after deducting from four thousand rupees one-fifth of such excess;

but no abatement shall be allowed by the person responsible for paying the salary in respect of any donations made by the assessee to which section 15B of the Income-tax Act is or may be applicable.

(7) For the purposes of this section and of the rates of tax imposed thereby, the expression "total income" means total income as determined for the purposes of income-tax or super-tax, as the case may be, in accordance with the provisions of the Income-tax Act, and the expression "earned income" has the meaning assigned to it in clause (6AA) of section 2 of that Act.

3. Amendment of section 2, Act XI of 1922.—In section 2 of the Income-tax Act,—

(1) after clause (5A), the following clause shall be inserted, namely:—

"(5B) 'co-operative society' means a co-operative society registered under the Co-operative Societies Act, 1912 (II of 1912) or under any other law for the time being in force in any State for the registration of co-operative societies.";

(2) in clause (6A),—

(i) in sub-clause (b), for the words "or debenture-stock", the words "debenture-stock or deposit certificates in any form, whether with or without interest," shall be substituted;

(ii) in sub-clause (c), the proviso and the word "and" at the end thereof shall be omitted;

(iii) for the two provisos occurring after sub-clause (d), the following shall be substituted, namely:—

“(e) any payment by a company, not being a company in which the public are substantially interested within the meaning of section 23A, of any sum (whether as representing a part of the assets of the company or otherwise) by way of advance or loan to a shareholder or any payment by any such company on behalf or for the individual benefit of a shareholder, to the extent to which the company in either case possesses accumulated profits;

but ‘dividend’ does not include—

(i) a distribution made in accordance with sub-clause (c) or sub-clause (d) in respect of any share issued for full cash consideration where the holder of the share is not entitled in the event of liquidation to participate in the surplus assets;

(ii) any dividend paid by a company which is set off by the company against the whole or any part of any sum previously paid by it and treated as a dividend within the meaning of clause (e), to the extent to which it is so set off.

Explanation.—The expression “accumulated profits”, wherever it occurs in this clause, shall not include capital gains arising before the 1st day of April, 1946, or after the 31st day of March, 1948.”;

(3) for clause (6C), the following clause shall be substituted, namely:—

“(6C) ‘income’ includes—

(i) dividend;

(ii) the value of any perquisite or profit in lieu of salary taxable under section 7;

(iii) the value of any benefit or perquisite, whether convertible into money or not, obtained from a company either by a director or by any other person who has a substantial interest in the company (that is to say, who is concerned in the management of the business of the company, being the beneficial owner of shares, not being shares entitled to a fixed rate of dividend whether with or without a right to participate in profits, carrying not less than twenty per cent. of the voting power), and any sum paid by any such company in respect of any obligation which but for such payment would have been payable by the director or other person aforesaid;

(iv) any sum deemed to be profits under the second proviso to clause (vii) of sub-section (2) of section 10, and any sum deemed to be profits and gains under sub-section (2A) of that section or under sub-section (5) of section 12;

(v) any sum deemed to be profits and gains of business, profession or vocation under sub-section (5A) of section 10;

(vi) any capital gain chargeable under section 12B;

(vii) the profits and gains of any business of insurance carried on by a mutual insurance association or by a co-operative society computed in accordance with rule 9 in the Schedule;"

(4) after clause (8), the following clause shall be inserted, namely:—

"(8A) 'manager' and 'managing agent' have the meanings respectively assigned to them in the Indian Companies Act, 1913 (VII of 1913).

4. Amendment of section 4, Act XI of 1922.—In section 4 of the Income-tax Act,—

(a) in the fifth proviso to sub-section (1), for clauses (i), (ii) and (iii), the following clauses shall be substituted, namely:—

"(i) such income, profits and gains are brought into or received in the taxable territories after the 2nd day of September, 1951, and the amount of income-tax, interest or penalty or other sum, if any, due from such person under this Act on the date of receipt of such income, profits and gains in the taxable territories is paid within three months of the receipt thereof in the taxable territories; and

(ii) in any case where such income, profits and gains are brought into or received in the taxable territories after the 2nd day of September, 1951, and before the 30th day of September, 1954, half of the amount of such income, profits and gains is invested within three months of the receipt thereof in the taxable territories in securities of the Central Government or of a State Government purchased through the Reserve Bank of India and kept with the said Bank for custody for a minimum period of two years.";

(b) in sub-section (3),—

(1) for paragraph (a) of the proviso to clause (i), the following shall be substituted, namely:—

"(a) if it is applied to religious or charitable purposes without the taxable territories, but in the following cases, namely:—

(i) where the property is held under trust or other legal obligation created before the commencement of the Indian Income-tax (Amendment) Act, 1953 (25 of 1953) and the income therefrom is applied to such purposes without the taxable territories; and

(ii) where the property is held under trust or other legal obligation created after such commencement, and the income therefrom is applied without the taxable territories to charitable purposes which tend to promote international welfare in which India is interested,

the Central Board of Revenue may, by general or special order, direct that it shall not be included in the total income;"

(2) for clause (vi), the following clause shall be substituted, namely:—

"(vi) Any special allowance or benefit, not being in the nature of an entertainment allowance and not being a perquisite within the meaning of sub-section (1) of section 7, specifically granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit, to the extent to which such expenses are actually incurred for that purpose."

(3) after clause (xiv), the following clause shall be inserted, namely:—

"(xiva) Any income chargeable under the head "salaries" received by or due to any person, not being a citizen of India, during the financial year in which he arrived in India and the financial year next following as remuneration for services rendered by him as a technician in any business carried on in India in any case where such person was not resident therein in any of the four financial years immediately preceding the financial year in which he arrived in India:

Provided that where during the financial year of arrival and the year next following, such person has been in India for a period of, or for periods amounting in all to, three hundred and sixty five days or more, only so much of the income aforesaid as is received by or due to him during the financial year in which he arrived in India shall not be included in his total income."

(4) for clause (xvii), the following clauses shall be substituted, namely:—

"(xvii) Interest on the 3½ per cent. 10 year Treasury Savings Deposit Certificates or the monthly payments on the 15 Year Annuity Certificates issued by or under the authority of the Central Government for an amount not exceeding the maximum amount which is permitted to be invested therein;

(xviii) Interest on deposits in Post Office Savings Bank, Post Office Cash Certificates, Post Office National Savings Certificates and Post Office 10 Year National Plan Certificates for amounts not exceeding in each case the maximum amount which is permitted to be deposited or invested therein."

(5) after clause (xx), the following clauses shall be inserted, namely:—

"(xxi) Any income of a member of a Scheduled Tribe, as defined in clause (25) of article 366 of the Constitution, residing in any area specified in Part A or Part B of the table appended to paragraph 20 of the

Sixth Schedule to the Constitution, provided that such member is not in the service of Government;

(xxii) Any payment made, whether in cash or in kind, by the Central Government or any State Government in pursuance of gallantry awards instituted or approved by the Central Government."

5. Amendment of section 7, Act XI of 1922.—In sub-section (1) of section 7 of the Income-tax Act,—

(1) for the words "whether paid or not, or are paid by or on behalf of", the words "whether paid or allowed or not, or are paid or allowed by or on behalf of" shall be substituted;

(2) to the first proviso, the words "or in respect of any sum not exceeding five hundred rupees expended by him on the purchase of books and other publications necessary for the purpose of his duties:" shall be added at the end;

(3) for *Explanation 1*, the following *Explanation* shall be substituted, namely:—

"*Explanation 1.*—For the purposes of this section, 'perquisite' includes—

(i) the right of an assessee to occupy free of rent as a place of residence any premises provided by his employer;

(ii) the value of any benefit or amenity granted or provided by a company free of cost or at concessional rate to an employee who is a director thereof or who is substantially interested in the company within the meaning of sub-clause (iii) of clause (6C) of section 2;

(iii) the value of any benefit or amenity granted or provided to an assessee [not being an assessee to whom the provisions of clause (ii) apply] by his employer free of cost or at concessional rate in any case where the income of the assessee under the head "salaries" exclusive of the value of all benefits or amenities not provided for by way of monetary payment exceeds eighteen thousand rupees;

(iv) any sum paid by the employer in respect of any obligation which but for such payment would have been payable by the assessee; and

(v) any sum payable by the employer, whether directly or through a fund to which the provisions of Chapters IXA and IXB do not apply, to effect an assurance on the life of the assessee or in respect of a contract for an annuity on the life of the assessee."

(4) In *Explanation 2*, for the words beginning with "A payment due to" and ending with the words "not by way of remuneration for past services:", the following shall be substituted, namely:—

"For the purposes of this section, 'profits in lieu of salary' includes,—

(i) the amount of any compensation due to or received by an assessee from his employer or former

employer at or in connection with, the termination of his employment, whether solely as compensation for loss of employment or for any other consideration;

(ii) any payment due to or received by an assessee from an employer or former employer or from a provident or other fund, to the extent to which it does not consist of contributions by the assessee or interest on such contributions.”.

6. Amendment of section 8, Act XI of 1922.—In the first proviso to section 8 of the Income-tax Act, for the words “in respect of any sum deducted from such interest by way of commission by a banker realizing such interest on behalf of the assessee”, the words “in respect of any reasonable sum deducted by a banker from such interest by way of commission or paid to any other person by way of remuneration for realizing such interest on behalf of the assessee” shall be substituted.

7. Amendment of section 9, Act XI of 1922.—In section 9 of the Income-tax Act,—

(1) for the first proviso to sub-section (2), the following proviso shall be substituted, namely:—

“Provided that, where the property is in the occupation of the owner for the purposes of his own residence, the annual value thereof shall first be determined in the same manner as if the property had been let to a tenant and the amount so determined shall be reduced by one-half of it or eighteen hundred rupees, whichever is less, so however that where the sum so reduced exceeds ten per cent. of the total income of the owner, the annual value of the property shall be deemed to be ten per cent. of such total income;”;

(2) in clause (a) of the third proviso to sub-section (2), the words “or one-eighth of the annual value of the property, whichever is less,” shall be omitted;

(3) for sub-section (4), the following sub-section shall be substituted, namely:—

“(4) For the purposes of this section—

(a) the holder of an impartible estate shall be deemed to be the individual owner of all the properties comprised in the estate;

(b) a member of a co-operative society to whom a building built by the society is allotted or leased under a house-building scheme of the society shall be deemed to be the owner of that building.”

8. Amendment of section 10, Act XI of 1922.—In section 10 of the Income-tax Act,—

in sub-section (2),—

(i) in clause (vi),—

(a) for the words “or the machinery or plant being new has been installed,” the words “or the machinery or

plant being new, not being machinery or plant entitled to the development rebate under clause (vib), has been installed," shall be substituted;

(b) in paragraph (c) of the proviso, for the words "the aggregate of all such allowances made under this Act or any Act repealed hereby", the words "the aggregate of all allowances in respect of depreciation made under this clause and clause (via) or under any Act repealed hereby," shall be substituted;

(ii) the proviso to clause (via) shall be omitted;

(iii) after clause (via), the following clause shall be inserted, namely:—

"(vib) in respect of machinery or plant being new, which has been installed after the 31st day of March, 1954, and which is wholly used for the purposes of the business carried on by the assessee, a sum by way of development rebate in respect of the year of installation equivalent to twenty-five per cent. of the actual cost of such machinery or plant to the assessee:

Provided that no allowance under this clause shall be made unless the particulars prescribed for the purpose of clause (vi) have been furnished by the assessee in respect of such machinery or plant.";

(iv) For clause (xiii), the following clause shall be substituted, namely:—

"(xiii) Any sum paid to a scientific research association having as its objects the undertaking of scientific research related to the class of business carried on, and any sum paid to a university, college or other institution to be used for scientific research, research in social science or statistical research related to the class of business carried on:

Provided that such association, university, college or institution is for the time being approved for the purposes of this clause by the prescribed authority.";

(2) after sub-section (2), the following sub-section shall be inserted, namely:—

"(2A) Where for the purpose of computing profits or gains under this section, an allowance or deduction has been made in the assessment for any year in respect of any loss, expenditure or trading liability incurred by the assessee and, subsequently during any previous year, the assessee has received, whether in cash or in any other manner whatsoever, any amount in respect of such loss or expenditure or has obtained some benefit in respect of such trading liability by way of remission or cessation thereof, the amount received by him or the value of the benefit accruing to him shall be deemed to be profits and gains of business, profession or vocation and to have accrued or arisen during that previous year.";

(3) In sub-section (5), after the proviso to clause (a), the following further proviso shall be inserted, namely:—

“Provided further that where before the date of acquisition by the assessee, the assets, which belonged to the assessee and had been used by him for the purposes of his business, profession or vocation, had ceased to be his property by reason of transfer or otherwise, the actual cost to the assessee shall be the actual cost to him when he first acquired the assets less all depreciation actually allowed to him under this Act or under any Act repealed hereby or under executive orders issued when the Indian Income-tax Act, 1886 (II of 1886), was in force.”;

(4) after sub-section (5), the following sub-section shall be inserted, namely:—

“(5A) any compensation or other payment due to or received by,—

(a) a managing agent of an Indian Company at or in connection with the termination or modification of his managing agency agreement with the company;

(b) a manager of an Indian Company at or in connection with the termination of his office or modification of the terms and conditions relating thereto;

(c) any person, by whatever name called, managing the whole or substantially the whole affairs of any other company in the taxable territories, at or in connection with the termination of his office or the modification of the terms and conditions relating thereto;

(d) any person, by whatever name called, holding an agency in the taxable territories for any part of the activities relating to the business of any other person, at or in connection with the termination of his agency or the modification of the terms and conditions relating thereto,

shall be deemed to be profits and gains of a business carried on by the managing agent, manager or other person, as the case may be, and shall be liable to tax accordingly; and the tax on such compensation or other payment shall, if the assessee so elects, be computed at the average of the rates of income-tax and super-tax applicable to his total income for the three years immediately preceding the previous year in which the compensation or other payment was due or received.”

9. Amendment of section 12, Act XI of 1922.—In section 12 of the Income-tax Act,—

(1) in sub-section (2), after the words “for the purpose of making or earning such income, profits or gains”, the words “and further in the case of any income by way of dividend, for any reasonable sum paid by way of commission or remuneration to a banker or any other person realising such dividend on behalf of the assessee” shall be inserted;

(2) after sub-section (4), the following sub-section shall be inserted, namely:—

“(b) The provisions of sub-section (2A) of section 10 shall apply, so far as may be, in computing income, profits and gains of an assessee under this section as they apply in computing profits or gains of an assessee under that section.”

10. Amendment of section 14, Act XI of 1922.—In section 14 of the Income-tax Act, after sub-section (2), the following sub-sections shall be inserted, namely:—

“(3) The tax shall not be payable by a co-operative society, including a co-operative society carrying on the business of banking—

(i) in respect of profits and gains of business carried on by it;

(ii) in respect of interest and dividends derived from its investments with any other co-operative society;

(iii) in respect of any income derived from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities;

(iv) in respect of any interest on securities chargeable under section 8 or any income from property chargeable under section 9, where the total income of such society does not exceed twenty thousand rupees and the society is not a housing society or an urban consumers' society or a society carrying on transport business:

Provided that nothing contained in this sub-section shall apply to—

(i) the Sanikatta Saltowners' Society in the State of Bombay;

(ii) a co-operative society carrying on insurance business in respect of the profits and gains of that business computed in accordance with rule 9 in the Schedule.

Explanation.—For the purposes of this sub-section, an “urban consumers' co-operative society” means a society for the benefit of consumers within the limits of a municipal corporation, municipality, municipal committee, notified area committee, town area or cantonment.

(4) The tax shall not be payable by an assessee, who is a member of a co-operative society, in respect of any dividends received by him from the society.

(5) The tax shall not be payable by an assessee, which is an authority constituted under any law for the time being in force for the marketing of commodities, in respect of any income derived from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities.”

11. Amendment of section 15, Act XI of 1922.—In sub-section (3) of section 15 of the Income-tax Act, for the words “exceed in the case of an individual, one-sixth of the total income of the assessee or

six thousand rupees, whichever is less, and in the case of a Hindu undivided family, one-sixth of the total income of the assessee or twelve thousand rupees, whichever is less", the following shall be substituted, namely:—

"exceed in the case of an individual, one-fifth of the total income of the assessee or eight thousand rupees, whichever is less, and in the case of a Hindu undivided family, one-fifth of the total income of the assessee or sixteen thousand rupees, whichever is less."

12. Amendment of section 15C, Act XI of 1922.—In sub-section (5) of section 15C of the Income-tax Act, the words "and for the purposes of that section, the expression 'assessable income' shall be deemed to include the profits or gains in respect of which the tax is not payable under this section" shall be omitted.

13. Amendment of section 16, Act XI of 1922.—In sub-section (1) of section 16 of the Income-tax Act, in clause (a), for the words, figures and brackets "sub-section (2) of section 14", the words, figures and brackets "sub-sections (2), (3), (4) and (5) of section 14" shall be substituted.

14. Amendment of section 18A, Act XI of 1922.—In sub-section (5) of section 18A of the Income-tax Act, for the words "The Central Government shall pay on any amount paid under this section simple interest at two per cent. per annum from the date of payment", the following shall be substituted, namely:—

"The Central Government shall pay simple interest—

(i) at two per cent. per annum on any amount payable in accordance with the provisions of this section before the 1st day of April, 1955, and paid accordingly;

(ii) at four per cent. per annum on any amount payable in accordance with the provisions of this section after the 1st day of April, 1955, and paid accordingly:

from the date of payment".

15. Amendment of section 23A, Act XI of 1922.—For section 23A of the Income-tax Act, the following section shall be substituted, namely:—

"23A. *Power to assess companies to super-tax on undistributed income in certain cases.*—(1) Where the Income-tax Officer is satisfied that in respect of any previous year the profits and gains distributed as dividends by any company within the twelve months immediately following the expiry of that previous year are less than sixty per cent. of the total income of the company of that previous year as reduced by—

(a) the amount of income-tax and super-tax payable by the company in respect of its total income, but excluding the amount of any super-tax payable under this section;

(b) the amount of any other tax levied under any law for the time being in force on the company by the Government or by a local authority in excess of the amount, if any, which has been allowed in computing the total income; and

(c) in the case of a banking company, the amount actually transferred to a reserve fund under section 17 of the Banking Companies Act, 1949 (X of 1949);

the Income-tax Officer shall, unless he is satisfied that, having regard to losses incurred by the company in earlier years or to the smallness of the profits made in the previous year, the payment of a dividend or a larger dividend than that declared would be unreasonable, make, with the previous approval of the Inspecting Assistant Commissioner, an order in writing that the company shall, apart from the sum determined as payable by it on the basis of the assessment under section 23, be liable to pay super-tax at the rate of four annas in the rupee on the undistributed balance of the total income of the previous year, that is to say, on the total income reduced by the amounts, if any, referred to in clause (a), clause (b), or clause (c) and the dividends actually distributed, if any:

Provided that—

(a) in the case of a company whose income is derived mainly from investments or from dealings in investments, and

(b) in the case of any other company where the reserves representing accumulations of past profits which have not been the subject of an order under this sub-section, exceed either the aggregate of—

(i) the paid up capital of the company exclusive of the capital, if any, created out of its profits and gains which have not been the subject of an order under this sub-section, and

(ii) any loan capital which is the property of the shareholders,

or the actual cost of the fixed assets of the company, whichever of these is greater,

this section shall apply as if for the words, "sixty per cent. of the total income", wherever they occur, the words "the whole of the total income" had been substituted.

(2) No order under sub-section (1) shall be made—

(i) in the case of a company referred to in clause (a) of the proviso to that sub-section, which has distributed not less than ninety per cent. of its total income as reduced by the amounts, if any, referred to in clause (a), clause (b) or clause (c) of that sub-section, or

(ii) in the case of any other company which has distributed not less than fiftyfive per cent. of its total income as reduced by the amounts, if any, aforesaid, or

(iii) in any case where according to the return made by a company under section 22, it has distributed not less than sixty per cent. of its total income as reduced by the amounts, if any, aforesaid, but in the assessment made by the Income-tax Officer under section 23 a higher total income is arrived

at, and the difference in the total income does not arise out of the application of the proviso to section 13 or sub-section (4) of section 23 or the omission by the company to disclose its total income fully and truly,

unless the company, on receipt of a notice from the Income-tax Officer that he proposes to make such an order, fails to make within three months of the receipt of such notice a further distribution of its profits and gains so that the total distribution made is not less than sixty per cent. of the total income of the company of the relevant previous year as reduced by the amounts, if any, aforesaid.

(3) Where in respect of any one or more of the three previous years immediately preceding the previous year, the profits and gains distributed as dividends by a company are in excess of sixty per cent. of its total income of the relevant previous year as reduced by the amounts, if any, referred to in clause (a), clause (b) or clause (c) of sub-section (1), but in respect of the previous year the profits and gains distributed as dividends by it are less than sixty per cent. of its total income similarly reduced, so much of the said excess, if any, as has not been adjusted under this sub-section in a preceding year, shall be taken into account in determining whether an order under sub-section (1) should be made in respect of the previous year.

(4) The provisions of sub-section (3) shall apply to the profits and gains of a previous year not earlier than the previous year relevant to the assessment year ending on the 31st day of March, 1957, but in the application of that sub-section to the profits and gains of the previous year relevant to the assessment year ending on the 31st day of March, 1957, that sub-section shall be construed as if for the word "three" the word "one" had been substituted, and in its application to the profits and gains of the previous year relevant to the assessment year ending on the 31st day of March, 1958, as if for the word "three" the word "two" had been substituted.

(5) The Inspecting Assistant Commissioner shall not give his approval to any order proposed to be made by the Income-tax Officer under this section until he has given the company concerned an opportunity of being heard.

(6) Nothing contained in this section shall apply to any company in which the public are substantially interested or to a subsidiary company of such company if the whole of the share capital of such subsidiary company has been held by the parent company or by its nominees throughout the previous year.

Explanation.—For the purposes of this section, a company shall be deemed to be a company in which the public are substantially interested if it is not a private company as defined in the Indian Companies Act, 1913 (VII of 1913), and

(i) its shares (not being shares entitled to a fixed rate of dividend, whether with or without a further right to participate in profits) carrying not less than fifty per cent. of the voting power have been allotted unconditionally to, or acquired unconditionally by, and were throughout the previous

year beneficially held by the public (not including a company to which the provisions of this sub-section apply);

(ii) the said shares were at any time during the previous year the subject of dealings in any recognised stock exchange in India or were freely transferable by the holder to other members of the public; and

(iii) the affairs of the company or the shares carrying more than fifty per cent. of the total voting power were at no time during the previous year controlled or held by less than six persons (persons who are related to one another as husband, wife, lineal ascendant or descendant, brother or sister, as the case may be, being treated as a single person and persons who are nominees of another person together with that other person being likewise treated as a single person.)"

16. Amendment of section 24, Act XI of 1922.—In sub-section (2) of section 24 of the Income-tax Act,—

(1) for the words beginning with "Where any assessee sustains a loss or profits" and ending with "three, four and five years, respectively", the following shall be substituted, namely:—

"Where any assessee sustains a loss of profits or gains in any year, being a previous year not earlier than the previous year for the assessment for the year ending on the 31st day of March, 1940, in any business, profession or vocation, and the loss cannot be wholly set off under sub-section (1), so much of the loss as is not so set off or the whole loss where the assessee had no other head of income shall be carried forward to the following year, and

(i) where the loss was sustained by him in a business consisting of speculative transactions, it shall be set off only against the profits and gains, if any, of any business in speculative transactions carried on by him in that year;

(ii) where the loss was sustained by him in any other business, profession or vocation, it shall be set off against the profits and gains, if any, of any business, profession or vocation carried on by him in that year: provided that the business, profession or vocation in which the loss was originally sustained continued to be carried on by him in that year; and

(iii) if the loss in either case cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following year and so on:";

(2) after clause (e) of the proviso, the following clause shall be inserted, namely:—

" (f) A loss arising in the previous years for the assessment for the years ending on the 31st day of March of the years 1940, 1941, 1942, 1943 and 1944 shall be carried forward for one, two, three, four and five years respectively, and a loss arising in the previous years for the assessment for the years ending on the 31st day of March of the years 1945, 1946, 1947, 1948 and 1949 shall be carried forward for six

years, and such loss shall be set off only against the profits and gains, if any, of the assessee from the same business, profession or vocation."

17. Amendment of section 56A, Act XI of 1922.—In sub-section (1) of section 56A of the Income-tax Act, in clause (i) after item (10), the following shall be inserted namely:—

- "(11) Automobiles;
- (12) Tractors;
- (13) Cement;
- (14) Electric Motors,
- (15) Locomotives;
- (16) Rolling Stock;
- (17) Machine Tools;
- (18) Agricultural Implements;
- (19) Ferro-manganese;
- (20) Dye-stuffs."

18. Amendment of section 60A, Act XI of 1922.—In section 60A of the Income-tax Act,—

(1) for the words "or to any Part B State", the words "or to any Part B State or to Chandernagore" shall be substituted;

(2) in the proviso, for the words "and in the case of the State of Jammu and Kashmir", the words "and in the case of the State of Jammu and Kashmir and Chandernagore" shall be substituted.

19. Amendment of Schedule, Act XI of 1922.—In rule 9 of the Schedule to the Income-tax Act, the words "or by a co-operative society" shall be added at the end.

20. Commencement of amendments to Act XI of 1922.—(1) Save as otherwise expressly provided in this section, the amendments to the Income-tax Act made by sections 3 to 19 shall have effect on and from the 1st day of April, 1955.

(2) The amendments made in the Income-tax Act by sub-section (5) of section 4 and sub-section (3) of section 8 shall also apply in relation to assessments for any year before the 1st day of April, 1955, whether such assessments have been completed or not.

(3) For the removal of doubts, it is hereby declared that the provisions of section 23A of the Income-tax Act, as in force immediately before the 1st day of April, 1955 shall continue to apply to a company in respect of its profits and gains of a previous year relevant to any assessment year prior to the assessment year ending on the 31st day of March, 1956, and also to its share-holders referred to in sub-section (1) of section 23A as then in force in respect of their appropriate previous years, notwithstanding that the relevant assessment years in respect of such previous years end on or after the 31st day of March, 1956.

21. Amendment of Act XXXII of 1934.—The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act) shall be amended in the manner specified in the Second Schedule.

22. Additional duties of Customs.—When any goods chargeable with a duty of Customs under the First Schedule to the Tariff Act, or under that Schedule read with any notification of the Central Government for the time being in force, are assessed to duty, there shall, up to the 31st day of March, 1956, be levied and collected as an addition to, and in the same manner as, the total amount so chargeable—

(a) a sum equal to 155 per cent. of such amount, in the case of goods comprised in Item No. 22(4);

(b) a sum equal to 55 per cent. of such amount, in the case of goods comprised in Items Nos. 48 and 51(2), and in the case of textile manufactures specified in Item No. 49 when made wholly or mainly of any of the fabrics specified in Items Nos. 48, 48(1), 48(4), 48(5), 48(7) or 48(10);

(c) a sum equal to 45 per cent. of such amount, in the case of goods comprised in Item No. 47(2);

(d) a sum equal to 25 per cent. of such amount, in the case of goods comprised in any of the Items of the said Schedule other than those specified in clauses (a), (b) and (c) of this section or in the Third or the Fourth Schedule to this Act; and

(e) a sum equal to 5 per cent. of such amount, in the case of goods comprised in any of the Items of the said Schedule specified in the Fourth Schedule to this Act.

23. Amendment of Act I of 1949.—In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures “1955”, the figures “1956” shall be substituted.

24. Substitution of new section for section 4 in Act I of 1944.—In section 4 of the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), the following section shall be substituted, namely:—

“4. Determination of value for the purposes of duty.—Where under this Act, any article is chargeable with duty at a rate dependent on the value of the article, such value shall be deemed to be—

(a) the wholesale cash price for which an article of the like kind and quality is sold or is capable of being sold at the time of the removal of the article chargeable with duty from the factory or any other premises of manufacture or production for delivery at the place of manufacture or production, or if a wholesale market does not exist for such article at such place, at the nearest place where such market exists, or

(b) where such price is not ascertainable, the price at which an article of the like kind and quality is sold or is capable of being sold by the manufacturer or producer, or his agent, at the time of the removal of the article chargeable with duty from such factory or other premises for delivery at the place of manufacture or production, or if such article is not sold or is not capable of being sold at such place, at any other place nearest thereto.

Explanation.—In determining the price of any article under this section, no abatement or deduction shall be allowed except in respect of trade discount and the amount of duty payable at the time of the removal of the article chargeable with duty from the factory or other premises aforesaid."

25. Amendment of First Schedule, Act I of 1944.—In the First Schedule to the Central Excises Act,—

(i) in Item No. 2,—

(a) for sub-items 1(ii) and 1(iii), the following sub-items shall be substituted, namely:—

“(ii) does not exceed five hundred thousand gross of boxes per year, but exceeds one hundred gross of boxes per day.	Two rupees and thirteen annas per gross of boxes.
(iii) does not exceed one hundred gross of boxes per day, but exceeds twenty-five gross of boxes per day.	Two rupees and ten annas per gross of boxes.
(iv) does not exceed twenty-five gross of boxes per day.	Two rupees and seven annas per gross of boxes.”;

(b) for sub-items 2(ii) and 2(iii), the following sub-items shall be substituted, namely:—

“(ii) does not exceed five hundred thousand gross of boxes per year, but exceeds one hundred gross of boxes per day.	One rupee and fourteen annas per gross of boxes.
(iii) does not exceed one hundred gross of boxes per day, but exceeds twenty-five gross of boxes per day.	One rupee and twelve annas per gross of boxes.
(iv) does not exceed twenty-five gross of boxes per day.	One rupee and ten annas per gross of boxes.”;

(ii) in Item No. 8, for the entry in the last column against sub-item (1), the following entry shall be substituted, namely:—

“Five rupees and ten annas per cwt.”;

(iii) in Item No. 9, for sub-item II(2), the following shall be substituted, namely:—

“(2) Cigarettes of which the value—	Per thousand.
(i) exceeds Rs. 50 a thousand	Twenty-one rupees and eight annas.
(ii) exceeds Rs. 35 a thousand, but does not exceed Rs. 50 a thousand.	Nineteen rupees.
(iii) exceeds Rs. 30 a thousand, but does not exceed Rs. 35 a thousand.	Ten rupees and eight annas.
(iv) exceeds Rs. 25 a thousand, but does not exceed Rs. 30 a thousand.	Nine rupees and eight annas.
(v) exceeds Rs. 20 a thousand, but does not exceed Rs. 25 a thousand.	Six rupees and eight annas.

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|---|------------------------------|
| (vi) exceeds Rs. 15 a thousand, but does not exceed Rs. 20 a thousand. | Five rupees and eight annas. |
| (vii) exceeds Rs. 10 a thousand, but does not exceed Rs. 15 a thousand | Two rupees and twelve annas. |
| (viii) exceeds Rs. 7/8/- a thousand, but does not exceed Rs. 10 a thousand. | One rupee and eight annas. |
| (ix) does not exceed Rs. 7/8/- a thousand. | One rupee." ; |

(iv) for Item No. 12, the following Item shall be substituted, namely:—

"12. COTTON FABRICS—

"Cotton fabrics" mean all varieties of fabrics manufactured either wholly or partly from cotton, and include dhoties, sarees, chadars, bed-sheets, bed-spreads, counterpanes and table-cloths, but do not include any such fabric—

(a) if it contains 40 per cent. or more by weight of wool;

(b) if it contains 60 per cent. or more by weight of rayon or artificial silk; or

(c) if manufactured on a handloom.

(1) Cotton fabrics, superfine—

that is to say, fabrics in which the average count of yarn is 48s or more.	Two annas and six pies per square yard.
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(2) Cotton fabrics not otherwise specified.	One anna per square yard.
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Explanation I.—"Count" means count of grey yarn.

Explanation II.—For the purpose of determining the average count of yarn, the following rules shall apply, namely:—

(a) Yarn used in the borders or selvages shall be ignored.

(b) For multiple-fold yarn, the count of the basic single yarn shall be taken and the number of ends per inch in the reed or the number of picks per inch, as the case may be, shall be multiplied by the number of plies in the yarn.

(c) The average count shall be obtained by applying the following formula, namely:—

"(Count of warp × number of ends per inch in the reed) + (Count of weft × number of picks per inch)

(Number of ends per inch in the reed) ÷ (Number of picks per inch),

the result being rounded off, wherever necessary, by treating any fraction which is one-half or more as one, and disregarding any fraction which is less than one-half."

Explanation III.—For the purposes of this Item, "staple fibre" shall not be deemed to be rayon or artificial silk."

(v) for Item No. 12A, the following Item shall be substituted, namely:—

“12A. RAYON OR ARTIFICIAL SILK FABRICS—

“Rayon or Artificial Silk Fabrics” include all varieties of fabrics manufactured either wholly or partly from rayon or artificial silk, but do not include any such fabric—

- (i) if it contains 40 per cent. or more by weight of wool ;
- (ii) if it contains cotton and less than 60 per cent. by weight of rayon or artificial silk ;
- (iii) if it contains no cotton and less than 40 per cent. by weight of wool and less than 40 per cent. by weight of rayon or artificial silk ;
- (iv) if manufactured on a handloom ;
- (v) if manufactured by or on behalf of the same person in one or more factories in which less than twenty-five powerlooms in all are installed.

Explanation.—For the purposes of this Item, “staple fibre” shall not be deemed to be rayon or artificial silk.”;

(vi) after Item No. 12A, the following Item shall be inserted, namely:—

“12B. WOOLLEN FABRICS—

“Woollen fabrics” mean all varieties of fabrics manufactured wholly of wool or which contain 40 per cent. or more by weight of wool, and include blankets, lohis, rugs and shawls, but do not include any such fabric if manufactured on a handloom.

Ten per cent. *ad valorem*;

(vii) for Item No. 16, the following Item shall be substituted, namely:—

“16. SOAP, that is to say, all varieties of the product known commercially as soap, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power, including steam for heating.

- (i) Soap, household and laundry, manufactured in any factory whose output of such soap exceeds one hundred and twenty-five tons per year—

- (a) in plain bars of not less than one pound in weight. Rupees five and annas four per cwt.
- (b) other sorts Rupees six and annas two per cwt.

- (2) Soap, toilet, manufactured in any factory whose output of such soap exceeds fifty tons per year. Rupees fourteen per cwt.
- (3) Soap not otherwise specified Rupees fourteen per cwt.;

(viii) after Item No. 17, the following Items shall be inserted, namely:—

- “18. ELECTRIC FANS, including air circulators but excluding those which are designed for use in an industrial system as parts indispensable for its operation and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose. Ten per cent. *ad valorem*.”
19. ELECTRIC LIGHTING BULBS AND FLUORESCENT LIGHTING TUBES Ten per cent. *ad valorem*.
20. ELECTRIC BATTERIES—
- (i) dry Ten per cent. *ad valorem*.
- (ii) storage Ten per cent. *ad valorem*.
21. PAPER, all sorts, including pasteboard, mill-board, cardboard and strawboard, but excluding newsprint, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power. Ten per cent. *ad valorem*.
22. SEWING MACHINES worked by manual labour or which require for their operation less than one-quarter of one brake-horse-power, and parts of such sewing machines. Ten per cent. *ad valorem*.
23. PAINTS AND VARNISHES, all sorts, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power. Ten per cent. *ad valorem*.”

26. Certain duties of excise to apply to excisable goods lying in factories on 1st March, 1955.—The amendment made by clauses (vi) and (viii) of section 25 in the First Schedule to the Central Excises Act, shall apply to the excisable goods specified therein which are lying on the 1st day of March, 1955, within the precincts of any factory or other premises where the said goods were manufactured or produced or in any premises appurtenant thereto, as they apply to such goods manufactured or produced on or after the said date.

27. Additional duties of excise.—When any goods chargeable with a duty of excise under the First Schedule to the Central Excises Act, are assessed to duty, there shall, up to the 31st day of March, 1956, be levied and collected, as an addition to, and in the same manner as, the total amount so chargeable, a surcharge of five per cent. of such amount on motor spirit as defined in Item No. 4 of that Schedule.

28. Amendment of Act 12 of 1953.—In section 2 of the Khadi and Other Handloom Industries Development (Additional Excise Duty on Cloth) Act, 1953, for clause (b), the following clause shall be substituted, namely:—

“(b) ‘cloth’ means cotton, woollen and rayon or artificial silk fabrics, as defined in the First Schedule to the Central Excises and Salt Act, 1944 (I of 1944)”.

29. Discontinuance of salt duty.—(1) For the year beginning on the 1st day of April, 1955, no duty under the Central Excises Act or the Tariff Act shall be levied in respect of salt manufactured in or imported by sea or land into India.

(2) In section 8 of the Finance Act, 1953 (14 of 1953) and in section 12 of the Finance Act, 1954 (17 of 1954), for the words “no duty”, the words and figures “no duty under the Central Excises and Salt Act, 1944, or the Indian Tariff Act, 1934” shall be substituted and shall be deemed always to have been substituted.

*Declaration under the Provisional Collection of Taxes Act, 1931
(XVI of 1931)*

It is hereby declared that it is expedient in the public interest that the provisions of clauses 21, 22, 23, 25, 26, 27 and 28 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

THE FIRST SCHEDULE

(See section 2)

PART I

Rates of Income-tax

A. (i) In the case of every individual who is married and every Hindu undivided family,—

	Rate	Surcharge
1. On the first Rs. 2,000 of total income	<i>Nil</i>	<i>Nil</i>
2. On the next Rs. 3,000 of total income	Nine pias in the rupee.	One-twentieth of the rate specified in the preceding column.
3. On the next Rs. 2,500 of total income	One anna and nine pias in the rupee.	Ditto.
4. On the next Rs. 2,500 of total income	Two annas and three pias in the rupee.	Ditto.
5. On the next Rs. 5,000 of total income	Three annas and three pias in the rupee.	Ditto.
6. On the balance of total income	Four annas in the rupee.	Ditto.

(ii) in the case of every individual who is not married and every unregistered firm or other association of persons, not being a case to which paragraph B or paragraph C of this Part applies,—

	Rate	Surcharge
1. On the first Rs. 1,000 of total income	<i>Nil</i>	<i>Nil</i>
2. On the next Rs. 4,000 of total income	Nine pies in the rupee.	One-tw ntieth of the rate specified in the preceding column.
3. On the next Rs. 2,500 of total income	One anna and nine pies in the rupee.	Ditto.
4. On the next Rs. 2,500 of total income	Two annas and three pies in the rupee.	Ditto
5. On the next Rs. 5,000 of total income	Three annas and three pies in the rupee.	Ditto.
6. On the balance of total income	Four annas in the rupee.	Ditto.

Provided that—

(i) no income-tax shall be payable on a total income which before deduction of the allowance, if any, for earned income, does not exceed the limit specified below;

(ii) the income-tax payable shall in no case exceed half the amount by which the total income (before deduction of the said allowance, if any, for earned income) exceeds the said limit;

(iii) the income-tax payable on the total income as reduced by the allowance for earned income shall not exceed either—

(a) a sum bearing to half the amount by which the total income (before deduction of the allowance for earned income) exceeds the said limit the same proportion as such reduced total income bears to the unreduced total income, or

(b) the income-tax payable on the income so reduced at the rates herein specified,

whichever is less.

The limit referred to in the above proviso shall be—

(i) in the case of every Hindu undivided family which as at the end of the previous year had—

(a) at least two members entitled to claim partition	Rs. 8,400
(b) at least four members entitled to claim partition	12,600:

Provided that in the case referred to in sub-clause (a) none of the members and in the case referred to in sub-clause (b) none of the minimum number of four members,—

(a) is less than eighteen years of age; or

(b) is lineally descended from another member or along with another member is lineally descended from any other living member of the family not entitled to claim partition, and

(ii) in every other case Rs. 4,200:

Provided further that—

(i) no surcharge shall be payable on a total income which before deduction of the allowance, if any, for earned income does not exceed the limit specified below;

(ii) the surcharge payable shall in no case exceed half the amount by which the total income (before deduction of the said allowance, if any, for earned income) exceeds the said limit.

The limit referred to in the above proviso shall be—

(i) in the case of every Hindu undivided family which satisfies the conditions laid down in the preceding proviso and had as at the end of the previous year—

(a) at least two members entitled to claim partition	.. ..	Rs. 14,400
(b) at least four members entitled to claim partition and	.. ..	21,600
(ii) in every other case	.. ..	7,200.

Explanation.—For the purposes of this paragraph, in the case of every Hindu undivided family governed by the Mitakshara law, a son shall be deemed to be entitled to claim partition of the co-parcenary property against his father or grandfather, notwithstanding any custom to the contrary.

B. In the case of every company—

	Rate	Surcharge
On the whole of total income	Four annas in the rupee.	One-twentieth of the rate specified in the preceding column :

Provided that in the case of a company which, in respect of its profits liable to tax under the Income-tax Act for the year ending on the 31st day of March, 1956, has made the prescribed arrangements for the declaration and payment within the territory of India, of the dividends payable out of such profits, and has deducted super-tax from the dividends in accordance with the provisions of sub-section (3D) of section 18 of that Act—

(i) where the total income, as reduced by seven annas in the rupee and by the amount, if any, exempt from income-tax, exceeds the amount of any dividends (including dividends payable at a fixed rate) declared in respect of the whole or part of the previous year for the assessment for the year ending on the 31st day of March, 1956, and the company is a company to which

the provisions of section 23A of the Income-tax Act cannot be made applicable, a rebate shall be allowed at the rate of one anna per rupee on the amount of such excess;

(ii) where the amount of dividends referred to in clause (i) above exceeds the total income as reduced by seven annas in the rupee and by the amount, if any, exempt from income-tax, there shall be charged on the total income an additional income-tax equal to the sum, if any, by which the aggregate amount of income-tax actually borne by such excess (hereinafter referred to as "the excess dividend") falls short of the amount calculated at the rate of five annas per rupee on the excess dividend.

For the purposes of the above proviso, the expression "dividend" shall have the meaning assigned to it in clause (6A) of section 2 of the Income-tax Act, but any distribution included in that expression, made during the year ending on the 31st day of March, 1956, shall be deemed to be a dividend declared in respect of the whole or part of the previous year.

For the purposes of clause (ii) of the above proviso, the aggregate amount of income-tax actually borne by the excess dividend shall be determined as follows:—

(i) the excess dividend shall be deemed to be out of the whole or such portion of the undistributed profits of one or more years immediately preceding the previous year as would be just sufficient to cover the amount of the excess dividend and as have not likewise been taken into account to cover an excess dividend of a preceding year;

(ii) such portion of the excess dividend as is deemed to be out of the undistributed profits of each of the said years shall be deemed to have borne tax,—

(a) if an order had been made under sub-section (1) of section 23A of the Income-tax Act, in respect of the undistributed profits of that year, at the rate of five annas in the rupee, and

(b) in respect of any other year, at the rate applicable to the total income of the company, for that year reduced by the rate at which rebate, if any, was allowed on the undistributed profits.

C. In the case of every local authority and in every case in which under the provisions of the Income-tax Act, income-tax is to be charged at the maximum rate—

	Rate	Surcharge
On the whole of total income	Four annas in the rupee.	One-twentieth of the rate specified in the preceding column.

PART II

Rates of Super-tax

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which any other paragraph of this Part applies—

	Rate	Surcharge
1. On the first Rs. 20,000 of total income.	<i>Nil</i>	<i>Nil</i>
2. On the next Rs. 5,000 of total income.	One anna in the rupee.	One-twentieth of the rate specified in the preceding column.
3. On the next Rs. 15,000 of total income.	Three annas in the rupee.	Ditto
4. On the next Rs. 10,000 of total income.	Five annas in the rupee.	Ditto.
5. On the next Rs. 10,000 of total income.	Six annas in the rupee.	Ditto.
6. On the next Rs. 20,000 of total income.	Seven annas in the rupee.	Ditto
7. On the next Rs. 20,000 of total income.	Eight annas in the rupee.	Ditto.
8. On the next Rs. 50,000 of total income.	Nine annas in the rupee.	Ditto
9. On the balance of total income.	Nine and a half annas in the rupee.	Ditto.

B. In the case of every local authority:—

	Rate	Surcharge
On the whole of total income	Two and a half annas in the rupee.	Three pies in the rupee.

C. In the case of an association of persons being a co-operative society as defined in clause (5B) of section 2 of the Income-tax Act (other than the Sanikatta Saltowners' Society in the State of Bombay)—

	Rate	Surcharge
1. On the first Rs. 25,000 of total income	<i>Nil</i>	<i>Nil</i>
2. On the balance of total income	Two and a half annas in the rupee.	Three pies in the rupee.

D. In the case of every company:—

Rate

On the whole of total income. . . . Four annas and
nine pies in the
rupee :

Provided that—

(i) a rebate at the rate of three annas per rupee of the total income shall be allowed in the case of any company which—

(a) in respect of its profits liable to tax under the Income-tax Act for the year ending on the 31st day of March, 1956, has made the prescribed arrangements for the declaration and payment in India of the dividend payable out of such profits and for the deduction of super-tax from dividends in accordance with the provisions of subsection (3D) of section 18 of that Act, and

(b) is a public company with total income not exceeding Rs. 25,000;

(ii) a rebate at the rate of two annas per rupee of the total income shall be allowed in the case of any company which satisfies condition (a) but not condition (b), of the preceding clause; and

(iii) a rebate at the rate of one anna and six pies per rupee on so much of the total income as consists of dividends from a subsidiary Indian company, and a rebate at the rate of six pies per rupee on any other income included in the total income shall be allowed in the case of any company which, not being entitled to a rebate under either of the preceding clauses, is—

(a) a public company, or

(b) a company all of whose shares were held at the end of the previous year by one or more public companies:

Provided further that the super-tax payable by a company the total income of which exceeds Rs. 25,000 shall not exceed the aggregate of—

(a) the super-tax which would have been payable by the company if its total income had been Rs. 25,000, and

(b) half the amount by which its total income exceeds Rs. 25,000.

Explanation.—For the purposes of this paragraph of this Part, a company shall be deemed to be a public company only if it is a company in which the public are substantially interested within the meaning of the Explanation to section 23A of the Income-tax Act.

THE SECOND SCHEDULE

(See section 21)

PART I

In the First Schedule to the Tariff Act,—

(a) In Item No. 28(8), in the entry in the second column, the words “calcium carbide” shall be omitted.

(b) In Items Nos. 30, 30(2), 30(11), 49(4) and 73(18), to each of the existing entries in the fourth and fifth columns, the words “plus the excise duty for the time being leviable on such articles if produced or manufactured in India” shall be added.

(c) In Items Nos. 30(3), 30(4), 44, 44(4), 48(2), 48(4), 48(5), 48(6), 49(a), 49(3), 60(2), 60(5), 72(11) and 73(15), to each of the existing entries in the fourth column, the words “plus the excise duty for the time being leviable on such articles if produced or manufactured in India” shall be added.

(d) In Items Nos. 36(2), 37, 37(1), 38, 71(2) and 71(3), for the existing entries against each of them in the fourth column, the entry “66 $\frac{2}{3}$ per cent. *ad valorem*” shall be substituted.

(e) In Items Nos. 50(1) and 50(4), for the existing entries against each of them in the fourth column, the entry “31 $\frac{1}{4}$ per cent. *ad valorem*” shall be substituted, and in the third column, the entry “Revenue” shall be inserted against each Item.

(f) In Item No. 59(4), for the existing entry in the fourth column, the entry “66 $\frac{2}{3}$ per cent. *ad valorem* or 12 annas per square foot, whichever is higher” shall be substituted.

(g) In Item No. 71(13), to each of the existing entries in the fourth column, the words “or ten annas per foot, whichever is higher” shall be added.

(h) In Item No. 72(33), for the existing entry in the fourth column, the entry “37 $\frac{1}{2}$ per cent. *ad valorem*” shall be substituted.

(i) In Item No. 73(2), in the entry in the second column, the words “also accumulators, and batteries not otherwise specified” shall be omitted.

PART II

In the First Schedule to the Tariff Act, for Items Nos. 45, 60 (8) and 73 (7), the following items shall be substituted, and such substitutions shall be inserted in their appropriate places :—

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		Duration of protective rates of duty
				The United Kingdom	A British Colony	
45	(a) Articles made of paper and papier mache, pasteboard, millboard, cardboard and strawboard; labels, advertising circulars, sheet or card almanacs and calendars.	Revenue	66 $\frac{2}{3}$ per cent. <i>ad valorem</i>.	..	..	..
	(b) Stationery, not otherwise specified, including drawing and copy books, Christmas, Easter and other cards, including cards in booklet form; including also waste paper.	Revenue	39 $\frac{3}{8}$ per cent. <i>ad valorem</i>.	..	..	..
	(c) Slates, all sorts	Revenue	39 $\frac{3}{8}$ per cent. <i>ad valorem</i>.		..	..
60(8)	(a) Vacuum flasks, complete	Revenue	66 $\frac{2}{3}$ per cent. <i>ad valorem</i> or Rs. 4 per flask, whichever is higher.	..	..	..
	(b) Refills or inners for vacuum flasks	Revenue	66 $\frac{2}{3}$ per cent. <i>ad valorem</i> or Rs. 3 per refill or inner, whichever is higher.	..	..	..
73(7)	Dry batteries; also accumulators, and batteries not otherwise specified.	Revenue	31 $\frac{1}{2}$ per cent. <i>ad valorem</i> plus the excise duty for the time being leviable on such articles if produced or manufactured in India.	..	..	..

PART III

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of	Duration of protective rates of duty
				The United Kingdom	A British Colony

In the First Schedule to the Tariff Act,—

(i) after Item No. 28 (32), the following Item shall be inserted, namely :—

28(33) Calcium carbide Revenue 50 per cent. *ad valorem*

(ii) after Item No. 77 (6), the following Item shall be inserted, namely :—

77(7) Goggles, sun glasses and glare glasses Revenue 50 per cent. *ad valorem*.

PART IV

(1) In the Second Schedule to the Tariff Act, for Item No. 5, the following Item shall be substituted, namely :—

Item No.	Name of article	Per	Rate of duty
5	Tea		
	When the price of tea :		
	(i) does not exceed Rs. 2-8-0 per lb. lb.		Four annas.
	(ii) exceeds Rs. 2-8-0 per lb. but does not exceed Rs. 3-4-0 per lb. lb.		Six annas.
	(iii) exceeds Rs. 3-4-0 per lb. but does not exceed Rs. 4-0-0 per lb. lb.		Eight annas.
	(iv) exceeds Rs. 4-0-0 per lb. but does not exceed Rs. 4-12-0 per lb. lb.		Ten annas.
	(v) exceeds Rs. 4-12-0 per lb. lb.		Twelve annas.

Explanation.—"Price of tea" means the price which the Central Government may, having regard to world prices of tea, fix for this purpose from time to time by notification in the Official Gazette.

(2) In the Second Schedule to the Tariff Act, for the existing entry in the second column against Item No. 6(ii), the following entry shall be substituted :—

"(ii) Cloth in which the average count of yarn, determined in the manner herein described, is 17s or finer.

Explanation.—(a) "Count" means count of grey yarn.

(b) For the purpose of determining the average count of yarn, the following rules shall apply, namely :—

- (i) Yarn used in the borders or selvages shall be ignored.
- (ii) For multiple-fold yarn, the count of the basic single yarn shall be taken and the number of ends per inch in the reed or the number of picks per inch, as the case may be, shall be multiplied by the number of plies in the yarn.
- (iii) The average count shall be obtained by applying the following formula, namely :—

(Count of warp × number of ends per inch in the reed) + (count of weft × number of picks per inch)

(Number of ends per inch in the reed) + (Number of picks per inch).

the result being rounded off, wherever necessary, by treating any fraction which is one-half or more as one, and disregarding any fraction which is less than one-half."

THE THIRD SCHEDULE

(See section 22)

Goods on which additional duty of Customs is not Leviable.

Goods comprised in the following Items of the First Schedule to the Tariff Act, namely :—

1(1), 2, 4(1), 4(3), 4(4), 4(5), 7(1), 8(1), 8(3), 8(4), 8(5), 9(3), 9(4), 9(5), 9(6), 12(6), 13(8), 13(9), 15(5), 15(9), 15(10), 15(11), 15(12), 16, 16(1), 16(3), 18, 19, 19(1), 19(2), 19(3), 20, 20(1), 20(2), 20(3), 20(4), 20(6), 20(7), 20(8), 20(9), 21, 21(4), 21(5), 21(6), 21(7), 21(8), 21(9), 22(1), 22(2), 22(3), 22(5), 27(1), 27(3), 27(4), 27(9), 28A, 28(14), 28(21), 28(22), 28(23), 28(24), 28(25), 28(26), 28(26A), 28(27), 28(28), 28(29), 28(30), 28(33), 30(1), 30(2), 30(6), 30(7), 30(11), 30(12), 30(13), 31(4), 31(5), 32(1), 32(2), 36(2), 37, 37(1), 37(2), 38, 40(2), 40(6), 40(7), 42, 44(1), 44(4), 44(7), 45, 45(3), 45(4), 45(5), 45(6), 48(1), 48(2), 48(3), 48(4), 48(5), 48(6), 48(7), 48(8), 48(9), 48(10), 49(c), 49(1), 49(2), 49(3), 50(1), 50(3), 50(4), 51, 52, 52(4), 53(2), 54, 55(1), 55(2), 55(3), 56, 56(1), 59(2), 59(3), 59(4), 59(5), 60, 60(2), 60(4), 60(5), 60(7), 60(8), 61, 61(11), 63(12), 63(15), 63(18), 70(2), 70(3), 70(10), 70(11), 71(2), 71(3), 71(9), 71(10), 71(13), 72(4), 72(5), 72(14), 72(26), 72(27), 72(28), 72(33), 72(35), 73(4), 73(6), 73(7), 73(8), 73(9), 73(10), 73(11), 73(12), 73(16), 73(17), 73(18), 73(19), 74(4), 75(1), 75(5), 75(14), 75(15), 76, 77(2), 77(4), 77(6), 77(7), 78(1), 79, 82(4), 83, 84(b), 84(1), 85, 85(2), 86, 86(1).

THE FOURTH SCHEDULE

(See section 22)

Goods on which additional duty of customs at 5 per cent. is leviable.

Goods comprised in the following Items of the First Schedule to the Tariff Act, namely :—

4, 8(2), 11(2), 11(4), 11(5), 11(6), 13(4), 15, 21(3), 24, 24(1), 24(2), 24(3), 25(1), 27(2), 27(5), 27(6), 27(7), 27(8), 28, 28(4), 28(8), 28(12), 28(15), 28(16), 28(17), 28(18), 28(19), 28(20), 28(31), 29, 29(1), 30, 30(9), 30(10), 34(3), 40(4), 40(5), 43, 44, 46, 46(3), 47, 55, 60(3), 60(6), 61(2), 61(3), 61(8), 61(9), 62(1), 62(2), 63(14), 63(30), 63(31), 63(32), 63(33), 63(34), 63(35), 64, 64(3), 64(4), 65, 66, 66(1), 67, 67(1), 67(2), 68, 68(2), 69(2), 70, 70(1), 70(4), 70(5), 70(6), 70(9), 71(7), 71(8), 71(11), 72, 72(1), 72(2), 72(3), 72(11), 72(12), 72(13), 72(15), 72(16), 72(17), 72(18), 72(19), 72(20), 72(21), 72(22), 72(23), 72(24), 72(25), 72(34), 73(2), 73(14), 73(15), 74(2), 75, 75(2), 75(3), 75(6), 75(7), 75(8), 75(9), 75(10), 75(11), 75(12), 75(13), 77(5), 78, 82(1), 82(3), 84(a), 85(1).

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to give effect to the financial proposals of the Central Government for the next financial year 1955-56 and to provide for a few connected matters. The notes on clauses explain the various provisions contained therein.

NEW DELHI;
The 28th February, 1955.

C. D. DESHMUKH.

Notes on clauses

Clause 2 prescribes the rates of income-tax and super-tax and sur-charges thereon for the financial year 1955-56. The deduction in respect of earned income is being restricted to income upto Rs. 25,000/- with marginal relief up to income of Rs. 45,000.

Clause 3 makes amendments to certain definitions in section 2 of the Income-tax Act.

Sub-clause (1) defines co-operative society. The concession which till now has been granted to co-operative societies by a notification under section 60 (1) is proposed to be incorporated in the body of the Act itself.

Sub-clause (2) amends the definition of dividend and seeks to check evasion of super-tax by shareholders of private limited companies by drawing profits as loans instead of as dividends and to remove the time limit of six years for taxing as dividends distributions made on the liquidation of companies. It also provides that dividends declared by a company in respect of which cash payment is postponed to a later date, will be treated as cash dividends on the date of declaration.

Sub-clause (3) redrafts the definition of income by including some new items.

Sub-clause (4) defines manager and managing agent in relation to a company in order to remove any doubts about the scope of clause 8 of the Bill.

Clause 4 amends section 4 of the Income-tax Act.

Sub-clause (a) implements the decision of the Government already announced to relax with effect from the 30th September, 1954 certain conditions relating to exemption of foreign profits brought into India. The concession is now proposed to be continued for an indefinite period.

Sub-clause (b) amends section 4(3) of the Income-tax Act, and

(i) empowers the Central Board of Revenue to grant exemption to charitable trusts created after the 1st April, 1952, whose funds are applied outside India for international welfare;

(ii) limits the existing exemption in respect of allowances paid for expenditure necessarily incurred for the performance of duties, that is to say, it will be given only to allowances which are not chargeable under section 7 as perquisites and will be restricted to the actual expenses incurred by the employee.

Sub-clause (3) provides exemption for a limited period to foreign technicians employed in private enterprises in India.

Sub-clause (4) exempts from tax the yield of certain Government securities and Post Office Certificates and implements the decision of the Government already announced at the time of issue of the Certificates. For the sake of convenience, the exemption granted to interest on Post Office Saving Bank deposits and Post Office Cash Certificates by Notification under section 60 of the Act is incorporated in the body of the Act.

Sub-clause (5) incorporates the exemption enjoyed hitherto by indigenous hill-men residing in certain specified tribal areas in the State of Assam and includes some other tribal areas in the same State and also exempts from tax the allowances paid by the Central or State Governments to recipients of gallantry awards.

Clause 5 amends section 7 of the Income-tax Act relating to assessment of "Salaries".

Sub-clause (1) makes a clarificatory amendment.

Sub-clause (2) provides for the deduction of expenses on books, magazines and other periodicals necessary for the performance of the duties of an assessee subject to a maximum of Rs. 500 a year.

Sub-clause (3) makes it clear that "perquisites" or benefits in kind received by an employee from his employer, such as free meals, free domestic services and such other supplies and facilities, are also taxable. To remove hardship in smaller cases, it is provided that the value of such benefits in kind will not be taken into account unless the emoluments received in cash by an employee exceeds Rs. 18,000.

Sub-clause (3) provides for taxation of compensation received by an employee at or in connection with the termination of his employment.

Clause 6 provides for the deduction of realisation charges also in respect of interest on securities.

Clause 7 amends section 9 of the Income-tax Act relating to assessment of income from house properties.

Sub-clause (1) provides for a further reduction in the computation of income of properties occupied by owners themselves.

Sub-clause (2) removes the existing limit in terms of annual value for deduction of municipal taxes so as to give relief in smaller cases.

Sub-clause (3) provides for the assessment in his hands of income from property acquired by a person through a co-operative housing society.

Clause 8 amends section 10 of the Income-tax Act relating to the assessment of income, profits and gains of business, profession or vocation.

Sub-clause (1) (i) and (iii) amends sub-section (2) of that section relating to allowances and as a further incentive to the development of industrial enterprise in the country provides for a deduction (called "Development Rebate") in respect of new plant and machinery installed in a business after the 31st March, 1954, whether the business itself is old or new. This "development rebate" is similar to the "Investment allowance" given in the United Kingdom, and is in lieu of the initial depreciation otherwise available under section 10(2) (vi) in respect of new plant and machinery. The development rebate materially differs from initial depreciation allowance in that (i) the allowance is to be made at a higher rate, i.e., 25 per cent. instead of at 20 per cent., (ii) the allowance will not be taken into account in computing the normal and double depreciation allowances which will continue to be available for the new assets in addition to the development rebate, (iii) the development rebate will not also be taken into account for computing the maximum amount of allowances admissible or the balancing charge under section 10(2). The rebate is admissible only in cases of businesses and not in other cases to which initial depreciation allowances will continue to be available.

Sub-clause (1) (ii) deletes the proviso to section 10(2) (via) in view of the provision of "development rebate".

Sub-clause (1) (iv) provides for allowance of expenses incurred through a University, College, etc. for research in social science and statistical research related to the class of business carried on by the assessee.

Sub-clause (2) inserts a new sub-section (2A) in section 10 and brings to charge unclaimed balances and debts foregone in cases where a deduction has been obtained by the taxpayer in an earlier assessment as a loss, expense or liability.

Sub-clause (3) amends the definition of "written down value" in order to prevent excessive claim for depreciation allowance by an assessee selling his old asset to another person and re-acquiring it later at a higher price.

Sub-clause (4) provides for taxation of compensation received on the termination or variation of the agreements relating thereto, of managing agencies, commission agencies or other similar agency agreements. To remove the hardship by taxing the lump sum receipts as the income of one year, it is provided that the compensation moneys will be charged to tax at the average of the rates of tax of the three preceding years of assessment.

Clause 9 amends section 12 of the Income-tax Act.

Sub-clause (1) provides for the deduction of realization charges also in respect of dividends from companies.

Sub-clause (2) is similar to sub-clause (b) of clause 8.

Clause 10 inserts new provisions in section 14 of the Income-tax Act in relation to co-operative societies. These societies have till now been enjoying certain concessions under a Notification of the Government under section 60(1) of the Act. In order to encourage the growth of the co-operative movement in the country, certain further concessions have been given. At the same time, the exemption is being withdrawn in respect of co-operative insurance societies, which are being put on a par with mutual insurance associations.

Clause 11 enlarges the limits for relief in respect of life insurance premia payments under section 15 of the Income-tax Act.

Clause 12 amends section 15C and is consequential to the amendment of section 23A.

Clause 13 makes some consequential changes in section 16 of the Income-tax Act relating to inclusions and exclusions from total income.

Clause 14 increases the rate of interest payable by Government under section 18A of the Income-tax Act on excess payments of advance tax from two per cent. to four per cent.

Clause 15 substitutes a new section for section 23A of the Income-tax Act dealing with the compulsory distribution of dividends in the case of private companies. The amendment is intended to tighten up the provisions for preventing avoidance of super-tax by shareholders of private companies resulting from insufficient distribution or non-distribution of dividends, in proper time. It is further provided that the companies falling under that section shall pay super-tax on the undistributed income, subject to certain adjustments, at a flat rate of four annas per rupee. This super-tax is payable, apart from the income-tax and super-tax payable by the company on its total income in the ordinary course, and the shareholders will not get any credit for it in their assessments. In order to provide for extenuating cases, certain further deductions are permitted in determining the distributable income, while excess dividends distributed in the three preceding years are allowed to be carried forward. The new provisions also require the Income-tax Officer to give an opportunity to the company to make good the deficiency in distribution of dividends in cases where there is a difference in the computation of total income by the assessee and the officer owing to honest difference of opinion.

Clause 16 amends section 24 of the Income-tax Act and removes the time limit of six years for carrying forward losses sustained in business, profession or vocation. It also provides that business losses (other than speculation losses) carried forward, will be allowed to be set off against the profits of the same or any other business, profession or vocation carried on by the same assessee in future years.

Clause 17 adds certain new industries to the list specified in section 56A of the Income-tax Act, the dividends from which are exempt from super-tax in the hands of the shareholder company.

Clause 18 amends section 60A of the Income-tax Act to enable a concession order to be made for Chandernagore, if necessary.

Clause 19 amends rule 9 in the Schedule to the Income-tax Act and provides for the computation of profits of insurance business carried on by a co-operative society.

Clause 20 prescribes the date of commencement of the various amendments to the Income-tax Act proposed in this Bill. It also makes clear that the provisions of section 23A of the Income-tax as it stands now will continue to apply in respect of profits and gains of companies assessable to tax in the assessment year 1954-55 and earlier years, and the corresponding assessments of the shareholders.

Clause 21 seeks to increase the duties on some goods specified in the Second Schedule. The duty on certain Items, such as tanned or dressed skins [Item No. 36(2)], leather manufactures like saddlery, harness, trunks and bags (Item No. 37), dressed fur skins (Item No. 38) is being enhanced. An import duty of 31½ per cent. is being imposed on second-hand or used gunny-bags or cloth made of jute [Item No. 50(1)] and cotton ropes [Item No. 50(4)]. Alternative specific duties are being imposed on porcelain or earthenware tiles [Item No. 59(4)] and zip fasteners [Item No. 71(13)], so that low-priced imports may not excessively affect indigenous manufactures. A duty equal to the excise duty is being added to the customs duty in respect of some articles on which excise duties are now being imposed. In the Export Schedule rates of duty dependent upon prevailing prices are being substituted for tea in lieu of the existing flat rate on all grades of tea. Cloth is also being re-defined as in the Central Excises and Salt Act, 1944.

Clause 22 continues for another year the existing surcharges on Customs duties.

Clause 23 seeks to maintain for another year the *status quo* in regard to the commitments under GATT, pending finalisation of the negotiations.

Clause 24 substitutes a new section for section 4 of the Central Excises and Salt Act, 1944, to overcome certain administrative difficulties in determining the value of excisable goods for purposes of duty, cf. section 30 of the Sea Customs Act, 1878.

Clause 25:

Sub-clause (i) proposes certain reductions in the excise duty on matches produced in the medium-sized and cottage factories.

Sub-clause (ii) proposes an increase of the excise duty on sugar from Rs. 3/12/- per cwt. to Rs. 5/10/- per cwt.

Sub-clause (iii) proposes certain changes in the excise duty on certain categories of cigarettes.

Sub-clause (iv) redefines cotton cloth on a more scientific basis, and also proposes alterations in the excise duty on such cloth.

Sub-clause (v) redefines rayon and artificial silk fabrics consequent upon the levy of an excise duty on woollen fabrics.

Sub-clause (vi) proposes the levy of an excise duty on woollen fabrics.

Sub-clause (vii) redefines soap in a simpler manner and at the same time removes an exemption in the case of large-scale factories.

Sub-clause (viii) proposes the levy of an excise duty on certain new items.

Clause 26.—This clause provides for the collection of excise duty on existing stocks of the new excisable commodities lying in certain premises.

Clause 27.—This clause proposes a surcharge of 5 per cent. of the excise duty on motor spirit.

Clause 28.—This clause amends the definition of cloth in Act 12 of 1953 so as to provide for the levy of a cess of three pies per yard on woollen fabrics also.

Clause 29.—This clause discontinues the levy of a duty on salt for another year and at the same time removes a doubt as to whether the Finance Acts of 1953 and 1954 affected the Salt Cess Act of 1953 in any way.

M. N. KAUL,
Secretary.